

KIAWAH ISLAND

COMMUNITY

ASSOCIATION

TITLE:

Q2 2024

Finance Report

COMMITTEE:

Finance Committee

TREASURER:

Lisa Mascolo

July 2024

## General Overview

- KICA maintains its accounts in accordance with Generally Accepted Accounting Principles (“GAAP”) utilizing fund accounting and two separate and distinct funds: Operating and Reserve.
- The Operating Fund is utilized for general daily operations of the Association while the Reserve Fund is utilized to accumulate and account for funds specifically designated for major repairs and replacements of existing facilities and infrastructure.
- Fund accounting further divides and allocates activities within the Operating Fund into divisions for budgeting, tracking and reporting purposes: General, Recreation, Property as well as segment assessment divisions Vanderhorst Gate (V-Gate), Preserve and Ocean Park.
- The Consolidated Balance Sheet details these Divisions while also depicting the overall assets and liabilities of the Operating and Reserve Funds on an individual and consolidated basis.
- The Operating and Reserve Fund activities are mutually exclusive and reported separately, not consolidated, in the income statement presentations to reflect that distinction.

# Cash Management Framework

The chart on the following page depicts the framework implemented by the BOD to manage KICA's cash and investments.

**Operating Cash** is comprised of those resources needed for current year operating expenditures and are managed by the Director of Finance within the guidelines established by the BOD-approved Financial Controls Manual ("FCM"). The FCM restricts the investment of these funds to short-term investments with maturities not to exceed 12 months. Any funds transferred to the KICA Investment Advisor are governed by the newly established Operating Cash Investment Policy Statement ("IPS").

**Designated Cash** is comprised of resources that are designated to repair & replace named depreciated assets with useful lives up to 7 years, unique events (named storm reserve), and other assets that don't fit the purpose of the Reserve Fund and are not needed for current operations. These resources are transferred to and managed by the Investment Advisor within the newly established Designated Cash Fund IPS with the flexibility of slightly longer-term maturities (24 months) and the potential for higher yields.

**Reserve Fund** are resources governed by the KICA Reserve Fund Policy. These funds are transferred to and managed by the KICA Investment Advisor within the guardrails and performance benchmarks established by the Reserve Fund Investment Policy Statement.

# Q2 2024: EXECUTIVE SUMMARY

## Cash Management Status

	6/30/24 Bal	Managed by:	Governing Policy
Operating - Checking / Sweep	\$2,226,031	Director of Finance	FCM
Operating – U.S. Fed MM – 5 – 5.3% yield thru Q2	\$6,608,528	Director of Finance	FCM
Operating - Treasuries up to 12-month maturities	\$4,955,670	Dir of Finance / Investment Advisor	FCM / <u>Operating Cash IPS</u>
Designated Cash/Treasuries up to 24-month maturities	\$4,000,132	Investment Advisor	FCM / <u>Designated Cash IPS</u>
Reserve - CDs	\$341,822	Investment Advisor	Reserve Fund Policy <u>Reserve Fund IPS</u>
Reserve - Bonds / Treasuries	\$9,041,360		
Reserve - Stocks / ETFs / Mutual Funds	<u>\$5,932,641</u>		

**Total Consolidated Cash & Investments**

**\$33,106,183**

Please note: in July, \$4MM was transferred from the Operating Checking and Money Market accounts; \$2MM to the Reserve Fund Bond/Treasuries and Stocks/ETFs/Mutual Funds accounts and \$2MM to the Designated Cash account. When markets are more favorable to treasuries, Operating will be more weighted to that category.

A perpetual, detailed cash flow analysis is maintained by the Dir of Finance that guides the allocation amongst the various categories.

# Consolidated Balance Sheet

## **OPERATING FUND & RESERVE FUND CASH**

are composed of checking, money market and sweep accounts. Actual cash is maintained in the General Division (Operating Fund) bank accounts. In the accounting records, funds are allocated to each division and Reserve Fund based on normal fund accounting procedures.

## **INVESTMENTS**

Please refer to the Cook Street/Morgan Stanley investment report included at the end of this report and available at [kica.us/about/financials](http://kica.us/about/financials) for investment performance and analysis.

All investment policy statements (“IPS”) can also be found at [kica.us/about/financials](http://kica.us/about/financials).

# Q2 2024: EXECUTIVE SUMMARY

## Consolidated Balance Sheet

### **ACCOUNTS RECEIVABLE**

Uncollected annual and flood assessments, accrued royalties, accrued CTR and monthly member billing activities account for the receivables balance.

In accordance with the FCM, liens have been filed against 5 entities/individuals on 10 properties for a total of ~\$27,000 of uncollected annual assessments and fees.

As of mid-July, uncollected and now delinquent flood billings on 592 properties amount to ~\$72,000. June's flood billing is now 83% collected. This was the last of the 5-year installments.

### **PREPAID EXPENSES**

These include 10 months of KICA's insurance portfolio premiums (annual premium paid in May 2024 to eliminate financing), Sandcastle vendor down payments to hold future events and deposits on MRR contractor work.

### **PAYROLL LIABILITIES**

A significant portion of these are accumulated vacation time not yet taken. Vacation is accrued as it is earned; offset against the accrual when taken. Also included is payroll incurred in June but paid in July.

### **Deposits**

Primarily comprised of deposits paid to vendors for future Sandcastle events.

### **ACCOUNTS PAYABLE**

Accounts payable is current.

## Consolidated Balance Sheet

### **FLOOD MITIGATION SPECIAL ASSESSMENT DEFERRED REVENUE**

The deferred balance represents flood assessment billings (final billing was June 2024) in excess of expenditures incurred which is when revenue is recognized.

In accordance with the member vote in 2020, any unspent funds after completion of all projects are restricted solely for major repairs and maintenance of those projects and future water management needs.

As of year end 2023, \$1,289,000 was yet to be incurred. \$128k is under contract. The remaining projects have been bid and contractor selection is underway. Updated estimates to complete the projects will be available once contracted.

Since completion is expected in Q4, 2024, this is now a current liability.

### **ROYALTY INCOME DEFERRED REVENUE**

The 2014 agreement with Comcast includes an upfront payment that is recorded here and amortized to revenue over the 12-year agreement. The amount to be amortized within the next 12 months is recorded in the current liabilities section.

## Consolidated Balance Sheet

### RECREATION DIVISION

The Recreation Division operates at a net deficit each year (approx. \$1,000,000 in 2023). The Operating Fund funds the Recreation Division for this deficit. To-date in 2024, revenues exceed expenses by ~\$27k due to the timing of each. The net deficit for Recreation and funding amount for 2024 is budgeted to be \$863,000.

### V-GATE DIVISION

The V-Gate division for 2024 is budgeted for a \$110k deficit, drawing down its Fund Balance to \$173k, a figure that more closely reflects possible renovation or replacement costs.

The BOD is currently deliberating as to a reasonable future operations and facility strategy for the V-Gate.

### OP/PRESERVE DIVISIONS

Fund balance will reduce throughout 2024 once expenditures catch up with assessment revenues recorded at the beginning of the year.

### PROPERTY DIVISION

Cash/investment balances represent asset replacement dollars (funded depreciation) plus investment earnings. This balance fluctuates with the Operating Fund's funding of depreciation each month and asset disposal or replacement.

### RESERVE FUND BALANCE

The Reserve fund balance is 100% restricted for major repairs and replacements. Reserve Fund resources will only be utilized for these activities.



## Q2 2024: EXECUTIVE SUMMARY

# Operating Fund Income Statement

### ASSESSMENTS

The remaining budget is comprised of the budgeted amount of unspent flood assessment and a slight overestimate of overall assessments in the budgeting process.

### Contribution to Reserves (“CTR”) and Access Fees

CTR & Access Fees now appear on the quarterly Operating Fund income statement to align with GAAP preferred procedures. Historically and in the budget, the gross amount of these revenues were recorded in the Reserve Fund with an offsetting expense for the 15% allocation to the Operating Fund. The 15% allocation was budgeted and recorded as Other Income in the Operating Fund.

Combined CTR from Operating and Reserve Funds is \$2,812,609 or ~70% of the \$4MM budget. Although CTR is tracking better than budget, this is expected to even out some over time due to differences in the timing of actual vs budget.

At the beginning of July, 16 of the total 72 budgeted units of the Cape were yet to close, on track for total Cape CTR of approx. \$1.4MM (budget).

Combined access fees from Operating and Reserve Funds total \$1,797,230 or ~ 64% of annual budget.

# Operating Fund Income Statement

## RECREATION INCOME

Revenue in this area includes the summer grill and community/recreation activities.

These revenue streams are tracking better than budget and prior year-to-date.

## OTHER INCOME

As previously mentioned, the 15% allocation of CTR and access fees is now recorded in their own line item which causes the significant variance in this line item.

Other Income is comprised of landscape & security services revenue (i.e., pine straw, landscaping, citations, etc.), the Recreation Division initiation fee charged at time of property sale, Preserve Division revenue from the BOD contribution to expenses and other miscellaneous revenues. These areas are tracking well against budget.

## Operating Fund Income Statement

### **PAYROLL**

Staffing continues to be approximately 60% of the overall Operating Fund budget. In the second quarter, we closed the gap on open positions, moving from 9 at Q1 to 5 at Q2. Overall, payroll is tracking well against budget.

Toward the end of 2023, the BOD approved KICA moving to a self-funded, health insurance collective. A 3<sup>rd</sup> party administrator manages the program (claims, network, participant interaction, cost containment, etc.). KICA pays a contract fee for these services, a stop-loss fee and actual claims costs. The budget includes the fees which are fixed and the maximum exposure on the variable claims cost.

KICA is tracking claims costs and frequently communicating with the administrator regarding proactive cost containment measures. The administration of the program is going very well.

### **BUILDING/EQUIPMENT R/M**

This area is currently tracking under budget as of Q2 primarily due to the timing of expenditures. \$75k budgeted for possible V-Gate redesign has been sent to committee for further review.

~\$7k of storm cleanup expenses were recorded through Q2.

### **COMMON AREA R/M**

This area is on track to budget. \$39k of storm cleanup expenses were recorded through Q2.

### **G&A EXPENSES**

Generally, this area is tracking well with some expenditures occurring slightly ahead of schedule.

# Operating Fund Income Statement

### **INVESTMENT INCOME**

Please refer to the Cook Street/Morgan Stanley investment report included at the end of this report and available at [kica.us/about/financials](http://kica.us/about/financials) for investment performance and analysis.

Amounts not immediately needed for weekly expenditures continued to earn 5% yield throughout the quarter.

Although there is no guarantee current market conditions will continue, investment income is poised to exceed the conservative budget.

### **ROYALTY INCOME**

Royalty Income results from the Comcast relationship initiated in 2014 and includes the amortization of the upfront payment (\$12.5k/qtr) and marketing royalties (approx. \$71.5k/qtr).

### **INTERFUND TRANSFERS**

The \$1M interfund transfer is the estimated unspent flood mitigation special assessment at budget time.

The remaining projects have been bid and contractor selection is underway. Updated estimates to complete the projects will be available once contracted.

Any unspent funds will be restricted solely for maintenance of the special assessment projects and future water management needs.

# Operating Fund Income Statement

### **GAINS (LOSSES)**

The Gains (Losses) line represents a combination of fixed asset and investment activity. Unrealized gains on investments which are unbudgeted totaled \$8k at Q2 whereas gain on disposal of assets was \$24.9k against a budget of \$42k. Additional asset activity is projected to make up that difference.

### **CAPITAL EQUIPMENT PURCHASES**

This line holds asset purchases within the department/division until the asset is put in service at which time, they are capitalized and transferred to the Property Division. This line will net to zero at year end.

### **DEPRECIATION**

Depreciation is expected to even out to budget over the year with the timing of asset purchases.

## Reserve Fund Income Statement

### **CONTRIBUTION TO RESERVES (“CTR”) and ACCESS FEES**

See description in Operating Fund Income Statement on page 9.

### **RESERVE OPERATING EXPENSES**

Several significant timing differences exist to help explain why Reserve operating expenses are tracking behind this quarter’s budget.

- \$1.4MM is due to the street resurfacing project under contract to start after Labor Day.
- \$750K for the Sandcastle veranda door replacement project being delayed to December. The contractor needs access to the boardwalk and ocean view adult pool which can’t be shut down during the season.

- \$75K for the Falcon Point Bridge replacement contracted to start after Labor Day.

Drainage and vehicular bridge projects continue within the budget. The projects budgeted for boardwalks have been completed while ongoing maintenance continues.

## Q2 2024: EXECUTIVE SUMMARY

# Reserve Fund Income Statement

### **INVESTMENT INCOME**

The investment portfolio performed well through Q2, resulting in good performance against budget for investment income and unrealized investment gains (unbudgeted).

### **INTERFUND TRANSFER**

See explanation on p. 12 under same title.

Q2 2024 FINANCE REPORT

# Consolidated Balance Sheet





**Kiawah Island Community Association**  
**Consolidated Balance Sheet**  
**As of June 30, 2024**

ASSETS	Operating Fund Divisions					Operating Fund Total	Reserve Fund	Consolidated Total
	General	Recreation	V-Gate	OP/Preserve	Property			
<b>Current Assets</b>								
Operating Cash / Federal Money Market	7,976,912	94,512	58,301	61,098	185,819	8,376,642	7,734,900	16,111,542
Investments	968,775	6,262	342,482	95,768	2,520,996	3,934,284	13,060,358	16,994,642
Accounts Receivable	638,162	28,524	525	2,769	0	669,980	18,287	688,267
Prepaid Expenses	753,946	25,142	0	0	0	779,088	169,000	948,088
<b>Total Current Assets</b>	<b>10,337,795</b>	<b>154,441</b>	<b>401,308</b>	<b>159,635</b>	<b>2,706,815</b>	<b>13,759,994</b>	<b>20,982,545</b>	<b>34,742,538</b>
<b>Fixed Assets</b>								
Depreciable Assets (net of accum. depreciation)	0	0	0	0	2,364,918	2,364,918	0	2,364,918
Land	0	0	0	0	408,448	408,448	0	408,448
<b>Total Fixed Assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,773,366</b>	<b>2,773,366</b>	<b>0</b>	<b>2,773,366</b>
<b>TOTAL ASSETS</b>	<b>10,337,795</b>	<b>154,441</b>	<b>401,308</b>	<b>159,635</b>	<b>5,480,181</b>	<b>16,533,360</b>	<b>20,982,545</b>	<b>37,515,904</b>
<b>LIABILITIES AND FUND BALANCE</b>								
<b>Current Liabilities</b>								
Payroll Liabilities	508,989	69,974	0	0	0	578,963	0	578,963
Deposits	77,023	23,660	0	0	0	100,683	0	100,683
Accounts Payable	211,321	33,583	0	0	0	244,904	34,082	278,985
Deferred Revenue - Royalty Income	50,157	0	0	0	0	50,157	0	50,157
Deferred Revenue - Flood Mitigation	1,271,844	0	0	0	0	1,271,844	0	1,271,844
<b>Total Current Liabilities</b>	<b>2,119,333</b>	<b>127,217</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,246,550</b>	<b>34,082</b>	<b>2,280,632</b>
<b>Non-Current Liabilities</b>								
Deferred Revenue - Royalty Income	75,236	0	0	0	0	75,236	0	75,236
<b>Fund Balance</b>	<b>8,143,226</b>	<b>27,224</b>	<b>401,308</b>	<b>159,635</b>	<b>5,480,181</b>	<b>14,211,574</b>	<b>20,948,463</b>	<b>35,160,037</b>
<b>TOTAL LIABILITIES/FUNDS</b>	<b>10,337,795</b>	<b>154,441</b>	<b>401,308</b>	<b>159,635</b>	<b>5,480,181</b>	<b>16,533,360</b>	<b>20,982,545</b>	<b>37,515,904</b>

Q2 2024 FINANCE REPORT

# Operating Fund: Income Statement



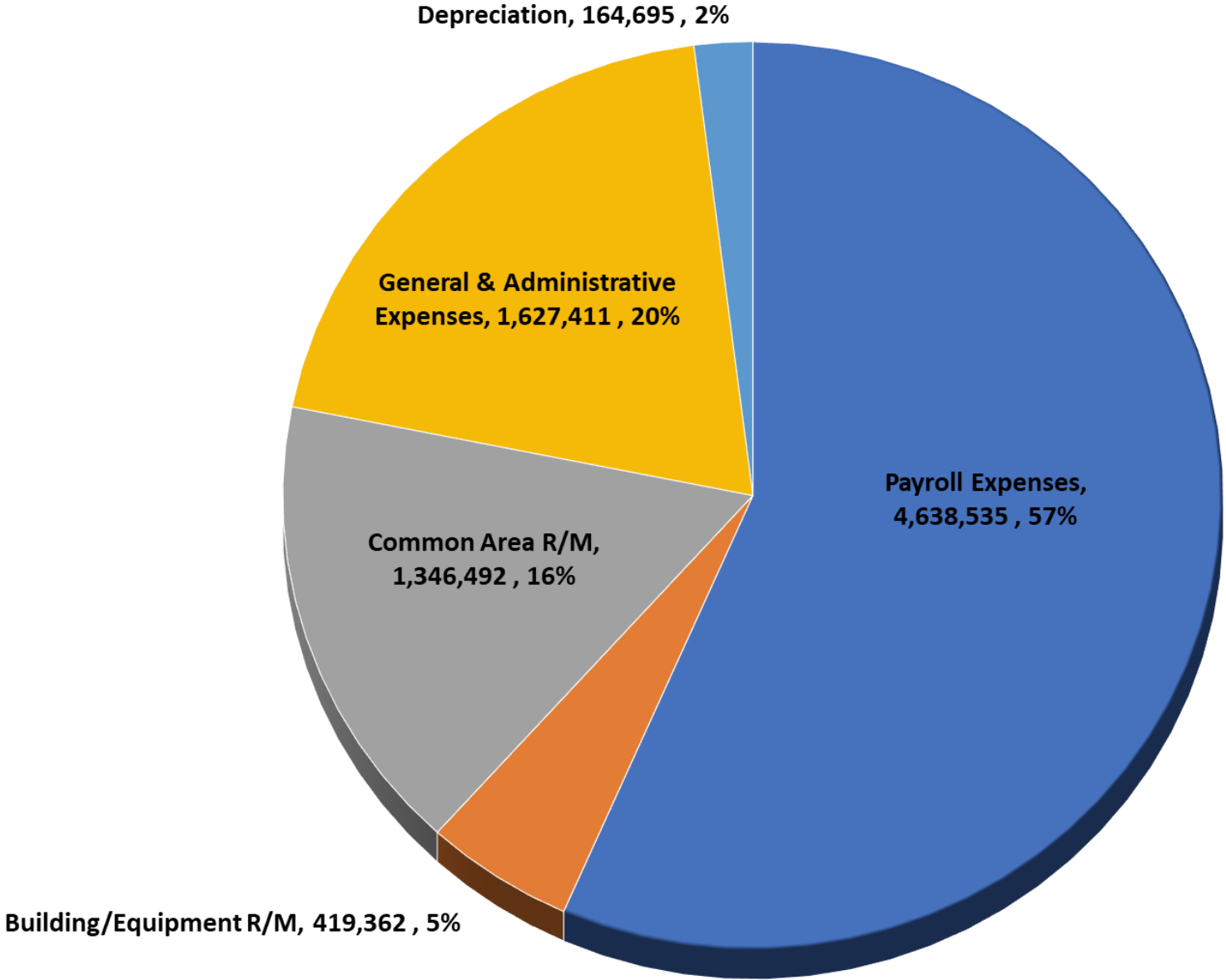
**Kiawah Island Community Association**  
**Operating Fund Income Statement**  
**For Period Ending June 30, 2024**

	Actual	Budget	Variance		2024	Remaining
			\$	%	Budget	Budget
<b>Operating Revenues</b>						
Assessments	12,782,501	13,790,708	(1,008,207)	-7.3%	13,860,327	1,077,826
Contribution to Reserves (CTR)	377,088	0	377,088	0.0%	0	(377,088)
Commercial Access Fees	269,585	0	269,585	0.0%	0	(269,585)
Recreation Income	296,166	268,446	27,720	10.3%	586,215	290,049
Other Income	297,949	857,657	(559,708)	-65.3%	1,437,248	1,139,299
<b>Total Operating Revenues</b>	<b>14,023,289</b>	<b>14,916,811</b>	<b>(893,522)</b>	<b>-6.0%</b>	<b>15,883,790</b>	<b>1,860,501</b>
<b>Operating Expense</b>						
Payroll Expenses	4,638,535	4,777,189	138,654	2.9%	9,562,291	4,923,756
Building/Equipment R/M	419,362	554,985	135,623	24.4%	861,463	442,101
Common Area R/M	1,346,492	1,424,140	77,648	5.5%	2,593,795	1,247,303
General & Administrative Expenses	1,627,411	1,620,274	(7,137)	-0.4%	2,839,599	1,212,188
<b>Total Operating Expense</b>	<b>8,031,800</b>	<b>8,376,588</b>	<b>344,788</b>	<b>10.3%</b>	<b>15,857,148</b>	<b>7,825,348</b>
<b>Excess (deficit) operating rev over exp</b>	<b>5,991,489</b>	<b>6,540,223</b>	<b>(548,734)</b>	<b>-8.4%</b>	<b>26,642</b>	<b>(5,964,847)</b>
<b>Non-operating Income (Expense)</b>						
Investment Income (Loss)	335,051	194,016	141,035	72.7%	341,000	5,949
Royalty Income	167,478	162,328	5,150	3.2%	324,656	157,178
Interfund Transfers	0	(1,000,000)	1,000,000	-100.0%	(1,000,000)	(1,000,000)
Gains (Losses)	32,981	42,000	(9,019)	-21.5%	42,000	9,019
Capital Equip Purchases - Net of Capitalization	0	0	0	0.0%	0	0
Depreciation	(164,695)	(163,237)	(1,458)	0.9%	(342,736)	(178,041)
<b>Non-operating Income (Expense)</b>	<b>370,815</b>	<b>(764,893)</b>	<b>1,135,708</b>	<b>-148.5%</b>	<b>(635,079)</b>	<b>(1,005,894)</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>6,362,304</b>	<b>5,775,330</b>	<b>586,974</b>	<b>10.2%</b>	<b>(608,437)</b>	<b>(6,970,741)</b>

## Operating Fund Income Chart

88% of Operating Fund Revenues is Assessment Income, rendering this chart ineffective

# Operating Fund Expenses



Q2 2024 FINANCE REPORT

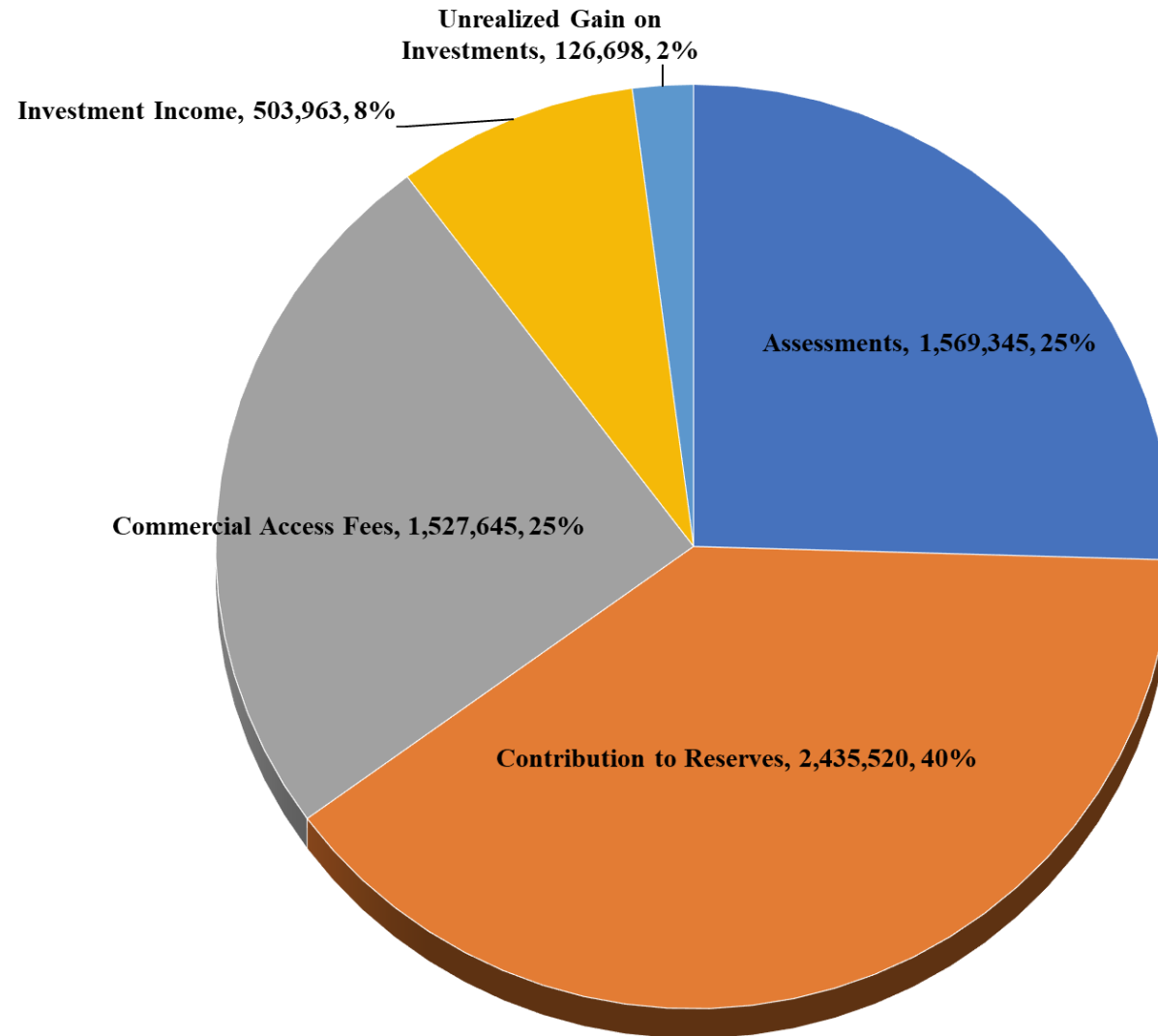
# Reserve Fund: Income Statement



**Kiawah Island Community Association**  
**Reserve Fund Income Statement**  
**For Period Ending June 30, 2024**

	Actual	Budget	Variance \$	Variance %	2024 Budget	Remaining Budget
<b>Reserve Fund Operating Revenues</b>						
Assessments	1,569,345	1,563,495	5,850	0.4%	1,563,495	(5,850)
Contribution to Reserves	2,435,520	2,425,000	10,520	0.4%	4,000,000	1,564,481
Commercial Access Fees	1,527,645	1,681,515	(153,870)	-9.2%	2,823,922	1,296,277
<b>Total Reserve Fund Operating Revenues</b>	<b>5,532,510</b>	<b>5,670,010</b>	<b>(137,500)</b>	<b>-2.4%</b>	<b>8,387,417</b>	<b>2,854,907</b>
<b>Reserve Fund Operating Expenses</b>						
Capital Projects - LCI	248,198	268,750	20,552	7.6%	415,000	166,802
Capital Projects - MRR	1,822,196	4,304,184	2,481,988	57.7%	6,601,953	4,779,757
<b>Total Reserve Fund Operating Expenses</b>	<b>2,070,393</b>	<b>4,572,934</b>	<b>2,502,540</b>	<b>54.7%</b>	<b>7,016,953</b>	<b>4,946,560</b>
<b>Excess (deficit) operating rev over exp</b>	<b>3,462,117</b>	<b>1,097,076</b>	<b>2,365,040</b>	<b>215.6%</b>	<b>1,370,464</b>	<b>(2,091,653)</b>
<b>Non-operating Income (Expense)</b>						
Investment Income (Loss)	503,963	439,000	64,963	14.8%	889,000	385,037
Interfund Transfers	0	1,000,000	(1,000,000)	-100.0%	1,000,000	1,000,000
Gains (Losses)	126,698	0	126,698	0.0%	0	(126,698)
<b>Total Non-operating Income (Expense)</b>	<b>630,661</b>	<b>1,439,000</b>	<b>(808,339)</b>	<b>-56.2%</b>	<b>1,889,000</b>	<b>1,258,339</b>
<b>NET SURPLUS/(DEFICIT)</b>	<b>4,092,778</b>	<b>2,536,076</b>	<b>1,556,701</b>	<b>61.4%</b>	<b>3,259,464</b>	<b>(833,314)</b>

# Reserve Fund Revenue





# Reserve Fund Expenses

